

ABERDEEN CITY COUNCIL

COMMITTEE: FINANCE AND RESOURCES
DATE: 28 SEPTEMBER 2010
REPORT BY: HEAD OF FINANCE
TITLE OF REPORT: REVENUE BUDGET 2010/11 MONITORING
REPORT NUMBER: CG/10/178

1. PURPOSE OF REPORT

- 1.1. The purpose of this report is to inform Members on the projected outturn and current financial position for the Council for financial year 2010/11 and to advise on areas of risk and management action that have been highlighted by directors.

2. RECOMMENDATION(S)

It is recommended that the Committee:

1. notes the content of the report; and
2. instructs Directors to continue to take cost reduction opportunities during the remainder of the year to achieve a balanced budget position.

3. FINANCIAL IMPLICATIONS

- 3.1 While it is felt that a balanced budget position can be achieved in the current financial year, it is worth noting that should the projected outturn be reflected by the accounts at the end of the year there will be a reduction in the General Fund balance of £0.8 million.
- 3.2 It is important to recognise that the budget has been set on with the intention of increasing the General Fund balance by £3.6 million and therefore this would represent a movement against budget of £4.4 million.
- 3.3 Uncommitted General Fund balances at year end would be £10.5 million and therefore below the recommended balance of £11.2 million that the Council has previously set, which is defined as between 2.5% and 3% of the net revenue budget.

4. SERVICE & COMMUNITY IMPACT

- 4.1. As a recognised top priority the Council must take the necessary measures to balance its budget. Therefore, Services are expected to work within a financial constraint as defined by their annual budgets.
- 4.2. Opportunities to balance the budget will be identified by each Director and reported as necessary through the relevant service committee.

5. OTHER IMPLICATIONS

- 5.1. Every organisation has to manage the risks inherent in the operation of large and complex budgets. These risks are minimised by the regular review of financial information by services and corporately by Members. This report is part of that framework and has been produced to provide an overview of the current operating position.

6. REPORT

- 6.1. This is the first opportunity for the Council to consider the overall financial position, with specific reference to the General Fund. During the earlier months of the year the Corporate Management Team has received reports on the financial performance and is aware of the risks that exist.
- 6.2. This report considers the projected outturn for the Council as a whole and this builds upon information and analysis provided to the individual Service Committee reports that have been considered during the current cycle of meetings.
- 6.3. Information within this report provides a high level expenditure projection for the consideration of Members and presents actual financial figures to the end of July 2010 and the projections based thereon.
- 6.4. Appendix A includes a summary of the overall Council projected position.

Financial Position

- 6.5. In overall terms the statement at Appendix A shows the Council is managing risk of £4.4 million in relation to the outturn position varying from budget. This represents less than 1% variance from budget and the Corporate Management Team believes that a balanced budget position can be achieved for this financial year.
- 6.6. Within the Service budgets and projections is an assumption that the savings from 'a reduction in employment costs' of £4.5 million is being achieved, despite the fact the issue remains the subject of negotiation.

- 6.7 The savings that were approved at a corporate level have all been allocated to the service budgets ensuring that there is greater clarity in relation to the availability of financial resources in each service.
- 6.8 The most significant risks and matters arising from the figures that are presented include the following:
- 6.9 Social Care and Wellbeing – An under spend of £1.4 million in relation to under commitment of demand led budgets – offset in part by reduced grant income. Staff costs also remain well within budget. It is recognised that to the demand and needs led nature of this Service pose a risk for cost pressures to arise at any time. Continued scrutiny and control is absolutely essential to maintain this favourable forecast position.
- 6.10 Housing and Environment - £0.7 million of income from the Repairs Fund and Housing Revenue Account are at risk based on the experience of 2009/10, where there were reduced recoveries. This followed a review of the method of recharge and the new operational structures that are now in place. Staff savings in relation to vacancies and corporate savings are not yet being achieved adding further pressure.
- 6.11 Corporate Governance – A projection for the year includes the impact of the non-recovery of Housing Benefit / Council Tax Benefit Subsidy to the value of £1.5 million. This is primarily due to the increased use of hotel accommodation and limited availability of Council housing stock for homelessness clients. Underlying projections for the remainder of the Service are that these will be within budget; however pressures around fees for professional advice in connection with legal costs are evident at this time.
- 6.12 Corporate Budgets – An estimate is included of an additional sum that may be required to cover further capital financing costs in the current year. This is based upon the fact that the funding available for capital expenditure is less than the full capital programme and there are continuing risks that the necessary slippage will not be achieved. The current year capital programme is considered in detail in another report on this agenda.
- 6.13 The figures outlined reflect progress on achieving approved budget savings of approx. £25 million which were incorporated into the budget and also assume a full commitment at this stage against the budgeted contingencies

Management Actions

- 6.14 Directors and Heads of Services are expected to work together and with Finance to find the means by which savings are identified, quantified and reported, working towards a balanced budget position for the year

6.15 There continues to be a robust scrutiny of all vacancies and Directors, as part of the work towards the 5 year business plan have information to reconsider those who'd previously expressed an interest in voluntary severance and early retirement.

7. REPORT AUTHOR DETAILS

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8. BACKGROUND PAPERS

Financial ledger data extracted for the period, and service committee reports on financial monitoring;

**ABERDEEN CITY COUNCIL
2010/11**

FINANCIAL MONITORING

As at end of July 2010	Year To Date				Projection to Year End		
Accounting Period 4	Full Year Revised Budget £'000	Revised Budget £'000	Actual Expenditure £'000	Variance Amount £'000	Forecast to be Reported £'000	Variance Full Year £'000	Variance Percent %
Services							
Office of Chief Executive	777	276	423	147	777	0	0.0%
Corporate Governance	25,464	9,586	8,889	(697)	26,670	1,206	4.7%
Enterprise Planning & Infrastructure	27,183	5,667	3,274	(2,393)	27,566	383	1.4%
Housing & Environment	42,886	10,753	3,899	(6,854)	44,276	1,390	3.2%
Education Culture & Sport	183,566	59,214	50,771	(8,443)	184,163	597	0.3%
Social Care & Wellbeing	123,793	42,457	34,595	(7,862)	121,893	(1,900)	(1.5)%
Total Service Budgets	403,669	127,953	101,851	(26,102)	405,345	1,676	0.4%
Total Corporate Budgets	42,037	14,952	14,797	(155)	44,494	2,457	5.8%
Total Net Expenditure	445,706	142,905	116,648	(26,257)	449,839	4,133	0.9%
Funding:							
<u>Government Support-</u>							
General Revenue Grant & Non-Domestic Rates	(343,070)	(85,767)	(47,424)	38,343	(343,070)	0	0.0%
<u>Local Taxation-</u>							
Council Tax & Community Charge Arrears	(106,207)	(42,483)	(51,327)	(8,844)	(105,952)	255	0.2%
Total Funding	(449,277)	(128,250)	(98,751)	29,499	(449,022)	255	0.1%
Net Impact on General Fund	(3,571)	14,655	17,897	3,242	817	4,388	